



Audit Report



OIG-25-012

FINANCIAL MANAGEMENT

**Management Letter for the Audit of the
Department of the Treasury's Consolidated
Financial Statements for Fiscal Years 2024 and
2023**

December 6, 2024

**Office of Inspector General
Department of the Treasury**

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OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D. C. 20220

December 6, 2024

**MEMORANDUM FOR ADITI HARDIKAR
ASSISTANT SECRETARY FOR MANAGEMENT**

FROM: Shiela Michel /s/
Acting Director, Financial Statement Audits

SUBJECT: Management Letter for the Audit of the Department of
the Treasury's Consolidated Financial Statements for
Fiscal Years 2024 and 2023

We hereby transmit the attached subject report. Under a contract monitored by our office, KPMG LLP (KPMG), a certified independent public accounting firm, audited the consolidated financial statements of the Department of the Treasury as of September 30, 2024 and 2023, and for the years then ended. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency, *Financial Audit Manual*.

As part of its audit, KPMG issued the attached management letter dated December 6, 2024, that discusses certain deficiencies in information technology controls that were noted during the audit, but were not required to be included in the auditors' report. Management has included its response to the recommendations. These responses were not audited by KPMG. Management will need to include the proposed corrective action dates related to the recommendations in the Department of the Treasury's Joint Audit Management Enterprise System (JAMES).

In connection with the contract, we reviewed KPMG's management letter and related documentation and inquired of its representatives. KPMG is responsible for the letter and the conclusions expressed in the letter. However, our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards with respect to this management letter.

If you wish to discuss this report, please contact me at (202) 486-1415, or a member of your staff may contact Catherine Yi, Manager, Financial Statement Audits, at (202) 553-7412.

Attachment

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KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

December 6, 2024

Mr. Richard K. Delmar
Acting Inspector General
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Ms. Aditi Hardikar
Assistant Secretary for Management
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

In planning and performing our audit of the consolidated financial statements of the Department of the Treasury (the "Department") as of and for the year ended September 30, 2024, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

We did not audit the financial statements of the Internal Revenue Service, a component entity of the Department. Those statements were audited by other auditors.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and/or significant deficiencies and therefore, material weaknesses and/or significant deficiencies may exist that were not identified. In accordance with Government Auditing Standards, we issued our report dated November 15, 2024 on our consideration of the Department's internal control over financial reporting in which we communicated a recurring deficiency in internal control that we considered to be a significant deficiency for the Department as a whole.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. During our audit, we did not identify any new deficiencies in internal control. Appendix I presents the status of the prior year deficiencies.

The purpose of this letter is solely to describe the deficiencies in internal control identified during our audit. Accordingly, this letter is not suitable for any other purpose.

Very truly yours,

KPMG LLP

THE DEPARTMENT OF THE TREASURY
Status of Prior Year Deficiencies in Internal Control

Deficiencies included in the Fiscal Year 2023 Management Letter Comment	FY 2024 Status
FY 2022 – 02) Segregation of Duties for Database Audit Log Reviews	Closed
FY 2023 – 03) Review of the ARC Budget Rollup Journal Entry	Closed

Appendix I

Deficiencies included in the Fiscal Year 2023 Management Letter Comment	FY 2024 Status
FY 2023 – 01) Privileged Database Account Password Settings Weakness	Partially Open

FY 2023 Recommendations	DO Corrective Action	Determination of Action Taken	FY 2024 Status
Review DO-910 and FARS SSP password setting requirements to determine if they apply to all layers of system technologies (e.g., application, database, and operating system). If necessary, consider specifying distinct password setting requirements for the different layers.	Management took immediate action to rectify the issue and provided auditors with evidence of configuration changes made to comply with the procedure and satisfy the audit recommendation. The corrective actions taken by FARS Management remediated this issue effective November 2023.	Management remediated the recommendations in FY2024. Due to the timing of the remediation, KPMG considers this finding partially open and will determine if remediation has fully occurred in subsequent audit years.	Partially Open
Implement password authentication controls at the FARS database in accordance with the minimum requirements set by DO-910 and the FARS SSP, to include the number of failed login attempts allowed.			Partially Open

Deficiencies included in the Fiscal Year 2023 Management Letter Comment	FY 2024 Status
FY 2023 – 02) Periodic Privileged Operating System Access Review Weakness	Partially Open

FY 2023 Recommendations	DO Corrective Action	Determination of Action Taken	FY 2024 Status
<p>Develop policies and procedures for performing the quarterly review and reauthorization of privileged OS access, which specify:</p> <ul style="list-style-type: none"> • How to document the review of user access for continued appropriateness and the resulting determinations. • Assignment of individual(s) responsible for performing the review(s) across the various privileged OS domains/groups/accounts, who are independent of the access they review and are of the appropriate authority. • Identification/Inventory of the privileged OS domains/groups/accounts that are subject to review, to include any privileged OS service groups/accounts. 	<p>DO will follow the TSSEC Policy for SI-12 and AC-5. DO will develop procedures to explicitly explain the DO process for reviewing, recertifying, and reauthorizing privileged users on the DO Enterprise accounts and groups. This will include an ISSM/ISSO review of the reviews to ensure Separation of Duties is upheld.</p>	<p>Management remediated the recommendations in FY2024. Due to the timing of the remediation, KPMG considers this finding partially open and will determine if remediation has fully occurred in subsequent audit years.</p>	<p>Partially Open</p>

Appendix I

FY 2023 Recommendations	DO Corrective Action	Determination of Action Taken	FY 2024 Status
<p>Disseminate said policies and procedures to control performers and reperform a review and reauthorization of privileged OS access that enforces independence from an individual reviewing their own access, includes OS service groups/accounts, and is documented/retained, in accordance with the established policies and procedures.</p>	<p>DO will email procedures, citing the policy, to designated reviewers upon initial drafting of the updated procedures, and quarterly thereafter with the reviewer's list of accounts for action.</p>		<p>Partially Open</p>



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